accenture strategy

UNCHARTED SPACES

THE FUTURE OF PLATFORM VALUE

ACHIEVE COMPETITIVE AGILITY

Businesses have conflicted relationships with platforms. They are uncertain how to make the most of them. Yet at the same time, they want a piece of the red-hot platform economy. It's no wonder. Platform companies in the Forbes Global 2000 have double the operating profits of their peers and beat them in market valuation and growth.[1]

Contact the Authors

Frederic Brunier

Frederic helps organizations in the Banking and Capital Markets industries transform to achieve high performance through mergers and acquisitions, dynamic operating models and growth strategies. With nearly two decades of experience, he also specializes in corporate strategy, IT strategy and architecture, cost reduction and operational excellence. Frederic is based in Zurich.

Christian Kelly

Christian works with Communications, Media and Technology leaders to design business strategies that lead to high performance. With two decades of experience, he focuses on identifying new markets and customer needs and improving product engineering decisions. He also specializes in defining new product and service opportunities, and developing next-generation R&D practices for complex hardware-software-services combinations. Christian is based in Seattle.

Thanos Malevitis

Thanos helps Communications, Media and Technology industry leaders develop and implement disruptive digital strategies at the intersection of business and technology. He applies innovation and design thinking to recommendations that place the customer and digital technologies at the heart of clients' transformations. Thanos is based in London.

Aditya Shah

Adi works with clients across multiple industries helping C-suite executives with business and technology decision making, to implement change and to drive new business value. Specializing and leading development of enterprise architecture, operating model, portfolio optimization, and M&A integration strategies, Adi is based in Washington, D.C.

In all the hype and calls for must-deploy technologies, there is a lot of false hope. While more than 300 platforms exist, and more are developing rapidly, Accenture Strategy estimates that only 10% are likely to succeed.[2] As companies clamor to build the next generation of platforms to reach customers, innovate offerings, and ignite hyper growth, success is not a given.

Instead, success requires an understanding of the value dynamics that govern business-to-business (B2B) and business-to-consumer (B2C) platforms. It is not only one-to-one exchange of value that defines traditional product and service models. Enduring customer platforms deliver meaningful value to customers from uncharted spaces. They create more value for users than they ever create for themselves.

B2B and B2C platforms orchestrate business functions together—such as supply chain, marketing and sales, and ecommerce—to provide products and services to customers. These customer platforms enable an integrated experience across the value chain, creating value for all participants. The more participants there are, the more value is created for all.

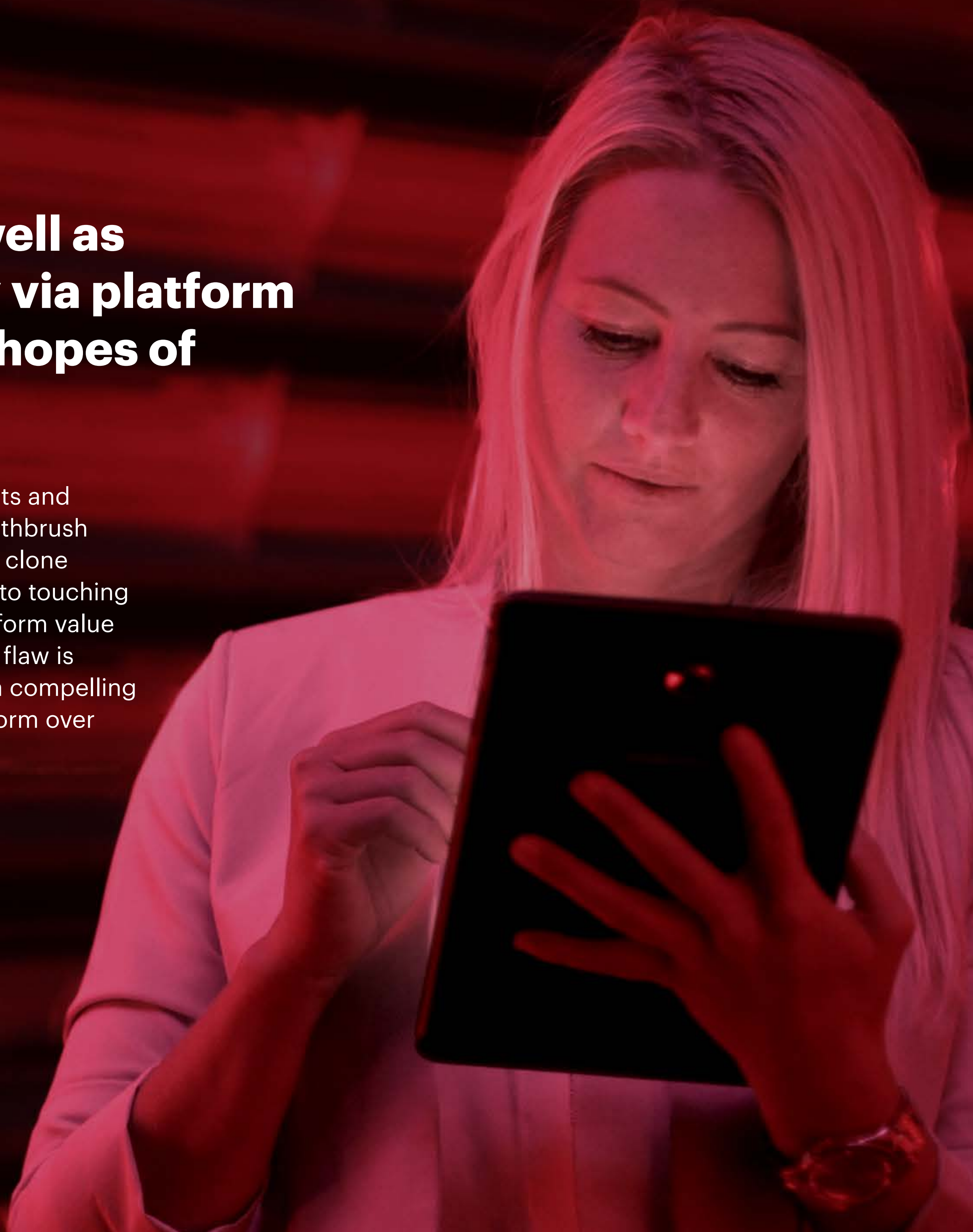
IN THE THICK(NESS) OF THINGS

With the epic success of both platform giants as well as companies that have disrupted their own industry via platform strategies, businesses understandably have high hopes of achieving the next breakout platform success.

But the potential failure looms large, and the stakes are high. Companies are losing $1 trillion in annual revenue to competitors when their platforms fail.[3] They are left wondering where they went wrong. Was it the technology? The timing? The market? Or something else entirely?

At a basic level, platforms fail because they do not create meaningful value or usefulness for customers. Think of it like this. When Larry Page was CEO of Google, he evaluated potential acquisitions with a "toothbrush test." As he famously explained, he asked if the investment would get used once or twice daily and if it would make people's lives better.[4] Answering no meant there was poor potential for returns.

Many retailers, for example, across segments and geographies have repeatedly failed this toothbrush test with their platforms. Often in a push to clone Amazon's success. They never come close to touching it or simply get outmaneuvered on the platform value proposition by other competitors. The fatal flaw is always the same. The retailer cannot offer a compelling reason for consumers to choose their platform over the rest.



These failures come from an inability to create platform "thickness." This is having the right density of buyers and sellers to create the critical mass necessary to sustain trade on the platform (Figure 1). Instead of trying to out-Amazon Amazon, the better strategy is to create exponentially more value for customers to attract participants and build thickness. But with Amazon creating so much value for customers in so many ways, it is a massive undertaking for retailers to find the uncharted spaces.

This cautionary tale underscores the importance of thickness. Platforms live or die on it. Those that enable customers—are problem-oriented, experience-led and friction-free—are the most sustainable. Creating these enduring platforms demands an "outside-in" strategy. This means taking a customer-first perspective to make wise decisions on business models and monetization strategies. It also means thinking outside the boundaries of "who we are," "how we work," "and what we sell," to push the business into the uncharted white space.

In the late 19th century, railroads were king in the United States. But as new modes of transportation were invented, railroad companies still clung to their traditional business model. Imagine what could have happened if they had started with customer need and seen themselves as being in the transportation business, not just the railroad business.

Figure 1: Thickness is non-negotiable for platform success

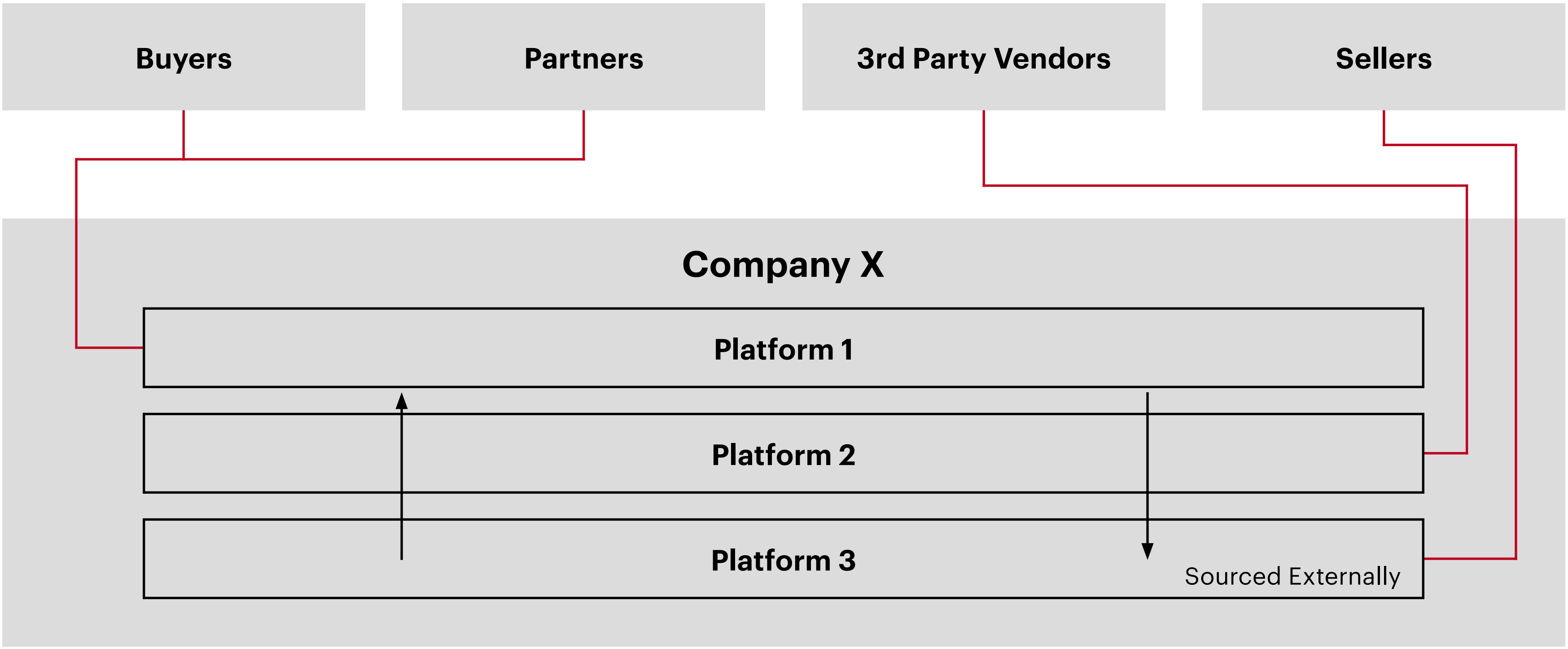
NO MORE GOING IT ALONE

Even with outside-in and customer-centric thinking, developing thickness is backbreaking work.

For Amazon, it was a multi-year journey—something that Wall Street has little patience for today. On top of that, there are high entry hurdles to building any platform, from raising capital to navigating regulations to rethinking legacy processes. In addition, platforms are not a "build it and they will come—and you're done" undertaking. About 95% of companies leading in value realization from tech investments reinvest more frequently and sequence how they deploy technologies—including different types of platforms.[5]

Not only is the work continuous, the magic is not in one platform. It is in "co-platforming." This is the integration and co-engineering of interconnected platforms via open stack or sandbox development to deliver business, technology and data value in harmony (Figure 2). Salesforce's Force.com is one example of co-platforming. It allows independent software vendors to build on top of and extend the Salesforce core to build adjacent SaaS businesses and create more customer value.

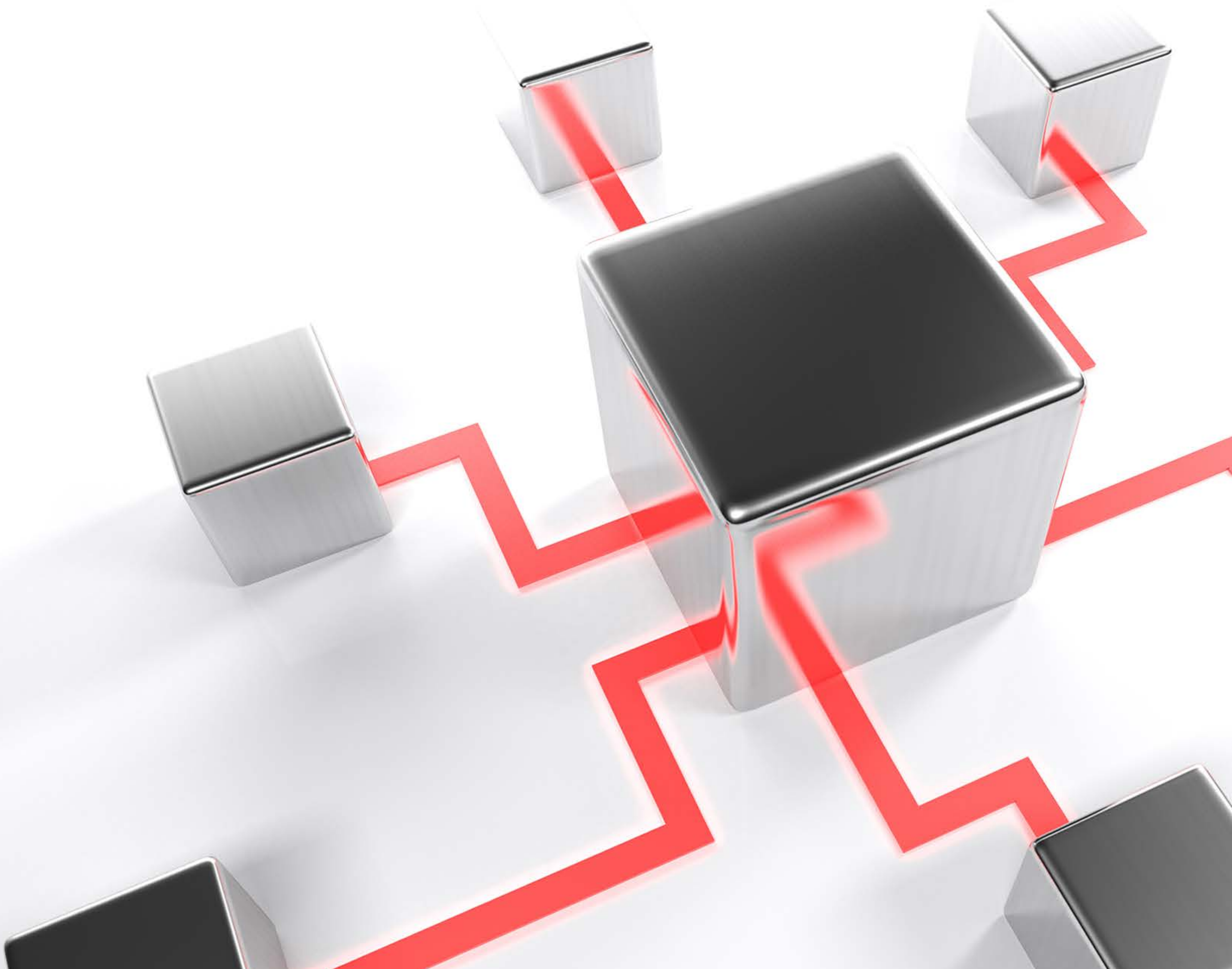
Figure 2: Co-platforms bring multiple platforms together through internal and external sourcing, delivering a seamless experience to customers



It’s not just industry disruptors that are turning to co-platforming. Established banks are building entire ecosystems around them. A large European bank uses them in its financing business. The bank relies on platforms like Check24—a mortgage comparison site—to create user traffic and generate leads, and is integrated with several brokerage platforms. For deposits, the bank created a co-platform solution and ecosystem with other banks. These solutions have doubled topline growth over captive channels.

The appeal of co-platforming is clear. It offers interconnectivity into ecosystems and access to new data, customers and markets. Development is usually more efficient and less expensive. Co-platforming makes it possible to launch new services and products fast and power the disruptive business models that generate new value. It is also a boon for creating thickness.

Co-platforming is becoming a requirement, not a choice. In the post-digital world, many easy problems have been solved. The unchartered space where new value resides lies in solving the hard problems. Solutions take joint effort, and co-platforming is the means to the end. Take the smart home market, which is projected to reach $175 billion by 2025. Competitors Google, Amazon and Apple are developing a connectivity standard so devices can “talk” to each other. Their goal: create a shared platform enabling a fully connected, smart home ecosystem of devices.[6]



WHEN 1 + 1 = 1,000

In successful platforms, value accretes to multiple parties, not just to platform providers.

The connectivity standard mentioned previously that Google, Amazon and Apple are working towards could open the door for developers to build and monetize smart home apps on top of the platform.

This vision is like an App Store for the home, and it gets to the heart of value creation in co-platforming.

This is a stark contrast from the widely-held view of two-sided markets as "winner-take-all." This perspective advocates for weaponizing capital and stresses gaining first mover advantage by aggressively scaling the business at speed to take out competitors and dominate markets.[7] While these ideas worked for the super platforms coming out of Silicon Valley in the early 2000s, today, they can lead to problematic monopolies and techlash.

Co-platforms are collaborative, not combative. They create ever-expanding value beyond the four walls of the company. It is a new value equation where 1 + 1 = 1,000. Take Alibaba's e-commerce platform Taobao. Although its closest competitor at that time had 85% of the B2C market when Taobao first started, Taobao ultimately pulled ahead. The key was that the company did not charge any fees and provided value-add services like instant messaging that directly connected buyers and sellers. Alibaba brought even more value to users when it integrated Taobao with its payment platform, Alipay. In addition, the company feeds insights from user data into its financial services products, expanding the circle of value delivered to buyers and sellers.[8]

With new value created differently, it has to be measured differently. Profitability, elasticity and scalability are important measures, but not the only ones to track. The measure of value delivered is in the reach of the platform. Reach is the extent to which customers will pay more for products and services even though lower-cost alternatives are available. This comes from convenience, relevance and service. It is also important for companies to measure Net Promoter Score®[9] (willingness to recommend) as well as customer share of wallet over time. These measures are all important indicators of all-important platform thickness.

POWERING PLATFORM PERFORMANCE

Platforms are the golden child of digital business, but they are not always the golden ticket. To unleash value, platforms should enable strategy, not dictate it. Companies that take a thoughtful, strategy-led approach are in the best position for success. The journey begins here:

Go for thickness and scale

Building a platform that no one uses is abject failure. This is why managing platforms by cultivating thickness matters. This is not a "check the box once" exercise. It is a continual responsibility. Companies need to constantly reinvent the value proposition to ensure that the platform generates meaningful value for customers.

Master the "composite" organization

It is hard enough for companies to get their own houses in order to build a single platform. It is even harder in co-platforming. Execution complexity multiplies exponentially. Companies must orchestrate a constellation of components, including security, customer experience, modularity and governance with partners. Doing this well demands precision integration by building discipline into design and engineering principles from the start.

Embrace the art of the long view

Short-termism runs rampant with platforms. But platform glory does not happen on day one—or year one. Fully harnessing platform value is a deliberate chess game played over time. The moves are measured and strategic. After all, it takes time to subsidize a platform, work out the kinks with partners, acquire customers and build a market. Companies must avoid the temptation of bouncing out of a platform too soon if there is not early traction.

Platform stand-outs ground themselves in these fundamentals. They meet unmet needs with transformational products and experiences, work across the ecosystem to solve problems, and measure value in new ways. That's how to own the uncharted spaces where platforms drive growth that lasts.

References

[1] David B. Yoffe et. al., "A Study of More Than 250 Platforms Reveals Why Most Fail," May 29, 2019

[2] Accenture Strategy analysis, 2019

[3] Accenture, Living Business research, 2018

[4] David Gelles, "In Silicon Valley, Mergers Must Meet the Toothbrush Test," August 17, 2004

[5] Accenture, "Full Value. Full Stop," 2019

[6] Paul Sawers, "Google, Amazon, and Apple Join Forces to Develop IP-Based Smart Home Connectivity Standard," December 18, 2019 from www.connectedhomeip.com

[7] Reid Hoffman and Chris Yeh, "Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies," Currency, 2018

[8] Feng Zhu and Marco Iansiti, "Why Some Platforms Thrive and Others Don't," January-February 2019

[9] Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc

Join the conversation

@AccentureStrat

www.linkedin.com/company/accenture-strategy

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 505,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

Visit us at **www.accenture.com**

About Accenture Strategy

Accenture Strategy combines deep industry expertise, advanced analytics capabilities and human-led design methodologies that enable clients to act with speed and confidence. By identifying clear, actionable paths to accelerate competitive agility, Accenture Strategy helps leaders in the C-suite envision and execute strategies that drive growth in the face of digital transformation.

For more information, follow **@AccentureStrat** or visit **www.accenture.com/strategy**

200084